

# City of Gustavus

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## Assessment of Management Capacity Indicators

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Department of Commerce, State of Alaska  
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# Introduction

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The City of Gustavus report was completed by Rural Utility Business Advisor program staff Lynn Kenealy as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Juneau regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

**Essential Indicators** identify policies and practices that are critical to the short-term operation of a utility. **Sustainable Indicators** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Gustavus is a second class city which incorporated in 2004. This community of approximately 500 residents is 48 air miles northwest of Juneau and surrounded by Glacier Bay National Park and Preserve. The community receives its drinking water from individual well water catchment systems. Wastewater is collected in individual septic tanks which are pumped by a number of businesses. Several of the individual tanks are past their life expectancy, and septic systems do not generally operate correctly in this climate, as the ground is too cold for the anaerobic systems. Several individuals also have outhouses located just above groundwater sources. Therefore, the city is seeking assessments from Village Safe Water to identify the best solution to the community's growing wastewater concerns.

This assessment will focus on the management of the city's general funds and other departments, as the city does not yet manage or operate a water/wastewater utility, but is considering funding for such a project in the future.

The City of Gustavus operates and manages the following utility services:

- Disposal and Recycling Center;
- Landfill;
- Library;
- Fire hall and EMS;
- Marine facilities; and
- Gravel pit.

## Capacity Indicators

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On March 5-6, 2014, RUBA staff Lynn Kenealy met with City of Gustavus staff to complete a RUBA Assessment of Management. City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Financial reports as provided to the council September 2013
- Financial reports as provided to the council October 2013
- Financial reports as provided to the council December 2013
- Financial reports as provided to the council January 2014
- Electric bill and proof of payment 2/28/2014
- FY14 budget and budget amendments
- Gustavus Disposal and Recycling Center Fee Schedule and Material Limitation Policy
- Chart of Accounts 3/5/2014
- Reconciliation Details 01/31/2014
- Proof of worker's compensation insurance coverage and labor laws posters
- Personnel policy and personnel-related resolutions
- February 2014 meetings posting
- City Council Meeting Minutes:10/04/13, 10/07/13, 10/17/13, 11/08/13, 11/14/13, 12/12/13, 01/13/14.
- City of Gustavus Organizational Chart
- Certificate of staff completion of newly elected officials seminar
- Job descriptions

## Utility Finance

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	All revenue and expenses for the utility are listed in the utility budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted a balanced realistic budget.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current paying all water/wastewater electric bills.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

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### Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A monthly manager's report is prepared.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget amendments are completed and adopted as necessary.

The City of Gustavus adopted an FY14 budget in advance of the commencement of FY14 on July 1, 2014. It has since adopted several amendments to various department budgets as needed including amendments to the Disposal and Recycling Center budget on August 8, and a pending amendment; amendments to the Library budget on August 8, December 12, and February 10; amendments to the Volunteer Fire Department budget on November 14, and January 13; amendments to the Administration budget on February 10, and a pending amendment; and a pending amendment for the Marine Facilities budget. The budgets and all subsequent amendments are realistic, considering previous year's totals and anticipating changes in the coming year. The city has ended with a positive balance every year since its incorporation, and excess monies have been saved in an AMLIP account. Recently, the city has allocated its savings to specific departments. An amount equal to expected expenditures for one fiscal year have been saved into a reserve account. An amount of \$50,000 has then been granted to each of the city's departments for repairs, maintenance, and replacement. Each department is to report its use of these monies to the city, and any unused monies are saved in a separate department account with AMLIP.

Fuel is budgeted into each department's fiscal year budget, and is provided by a private company in the community, Gustavus Dray, which receives a fuel barge every three months in the winter and every month in the summer. The city currently receives its electricity from Gustavus Electric, though in April this service is expected to transfer to AP&T. Each department is expensed for its portion of the electric and fuel bills.

Administration and general financial reports are provided to the city council for each monthly regular meeting. Profit and loss budget versus actual reports are currently being provided on an accrual basis, but are going to be switched to cash basis, in order to reflect the actual sales tax income, as opposed to the owed sales tax income. Reports include a profit and loss overview, profit and loss budget versus actual by department, and graphs and pie charts to aid in displaying trends. On at least a quarterly basis, each department provides profit and loss budget versus actual reports to the council.

## Accounting Systems

### Essential Indicators

Yes No

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a collection policy and actively follows it.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and what it was for.                          |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent.                                |
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### Sustainable Indicators

- |                                     |                          |   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A chart of accounts is used that identifies categories in a reasonable, usable manner.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly bank reconciliations have been completed for all utility accounts.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

The city has a collections policy with regard to sales taxes, and is beginning the process of proper enforcement. The city has a 3% sales tax and 4% bed tax. Some businesses are reporting and collecting on a previous 2% sales tax. This is in the process of being rectified. Businesses under-collecting on sales taxes are receiving letters from the city and from the city's attorney, and receive penalties and interest on the correct owed amounts if no response is received.

The city utilizes QuickBooks to track all accounts receivable and accounts payables. Each department tracks its own accounts receivables, then provides a report to the treasurer for appropriate deposit, documentation, and follow-up. Purchases are completed through one of three methods. The city has an account with the local store. Department and city staff may purchase items for the city then, provide the receipt to the treasurer for appropriate accounting and allocation. A similar method is utilized with the city's Amazon.com credit card. Any other purchases require a purchase order form which is pre-approved by the treasurer. All checks are created by the treasurer then signed by two council members. All coding and accounting is completed by the treasurer in accordance with appropriate budget categories and available funds.

When cash is received by each department, the cash is brought to the treasurer and the treasurer "buys" the cash with a personal check. Each check is photocopied and attached to a copy of the deposit slips. All cash is sent to the bank for deposit. The city does not disburse any cash.

Payroll is also computed using QuickBooks. Employees utilize a uniform timesheet and on a monthly basis the timesheets are signed and turned into the treasurer, who provides pay stubs and direct deposits.

The city's chart of accounts was previously nine pages long, but has since been revamped and is now five pages long. Each account is categorized with a type, such as bank, accounts receivable, assets, liabilities, equity, income, etc.

Reconciliations are completed on a monthly basis, and reconciliation details provide evidence of reconciliation of each account within the past month.

## Tax Problems

### Essential Indicators

Yes	No	NA	
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

QuickBooks is utilized to calculate payroll taxes and EFTPS is utilized to make payments. On March 4, 2014 the State of Alaska confirmed that the city is in compliance on all state tax issues. On December 13, 2013 Taxpayer advocates confirmed the city is compliant on all federal tax issues. The city has no past liabilities or liens.

## Personnel System

### Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a posted workers compensation insurance policy in effect.

### Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequate written hiring process.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

The city receives its worker's compensation insurance through APEI, and has paid for the plan through June 30, 2014.

The city currently has a personnel ordinance, but no employee handbook. The personnel ordinance serves as an employee handbook in its absence. All current positions have job descriptions, titled.

A hiring policy was adopted by the council by resolution which specifies a procedure including identification and justification of the position, position description review, funding source identification, announcement, publicity, application, selection criteria and ranking, interview questions, reference checks, notification, and employment.

All employees go through a six-month probationary period. Though an evaluation is directed in the personnel policy, there is currently no personnel evaluation form or procedure in place.

Personnel folders are kept by the city clerk/treasurer, and are separated into different categories, depending on the relevant document. Documents maintained for all personnel include I-9's, W4's, identification, correspondences, evaluations (once instituted), timesheets, and a document

which serves as a letter of acceptance and includes the position description and signature lines, as well as other relevant employment information.

Staff are encouraged to attend trainings. See Organizational Management for further details.

## Organizational Management

### **Essential Indicators**

<b>Yes</b>	<b>No</b>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

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### **Sustainable Indicators**

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

The City of Gustavus has gone through significant personnel transition over the past six months. A new city clerk/treasurer has been hired, and a deputy clerk position has been created and filled. The mayor is also working office hours to assist in current audits, trainings, and procedural changes. Staff is also encouraged to attend trainings. The city clerk attended AML's clerk conference and newly elected officials training in 2013 and the deputy clerk attended the newly elected officials training in 2013. Both are interested in upcoming RUBA trainings as well.

The city's organizational chart is up to date and includes all paid and unpaid positions and committees of the city. The organizational chart clearly specifies lines of authority and supervisory responsibility.

The city council is the decision-making body for all utilities and departments. The council meets once per month for a regular meeting and twice per month for work sessions, as well as additional special meetings as needed. Meeting notices are posted on the city website, in three locations in town, and to a news group via e-mail. Work sessions and committees also post in three locations throughout the community at least five days prior to the meeting. Minutes are taken for all regular and special meetings of the council.

## Operation of Utility

### Essential Indicators

Yes No



The utility operator(s) are actively working towards necessary certification.



The utility has a preventative maintenance plan developed for the existing sanitation facilities.

### Sustainable Indicators



The manager receives a monthly O&M report from the utility operator and routinely “spot checks” the facilities to see that the maintenance items are being completed.



The utility has a safety manual and holds safety meetings.



Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved.



The utility is operating at the level of service that was proposed.



The operator provides status reports to the manager on a routine basis.



The utility has completed and distributed its Consumer Confidence Report (CCR).



The utility meets all required regulations (is not on the Significant Non-Compliance (SNC) list).



The utility maintains an inventory control list.



The utility maintains a critical spare parts list.

There is no water/wastewater utility in the community at present, nor relevant certifications or plans. However, management within other departments indicate a high level of preparation, planning, and safety. For instance, the volunteer fire department undertakes drills every Tuesday evening, including discussions of safety topics at the beginning of each session. The department also has a safety officer, and seeks assistance from outside organizations for training and up-to-date information as needed.

## Essential Recommendations

The City of Gustavus has met all of the essential capacity indicators.

## Sustainable Recommendations

The City of Gustavus can work to improve Sustainable Indicators in the areas of “Personnel Systems.”

It is recommended that:

- The city follow the written personnel evaluation process; and
- The probationary period for new hires include an evaluation.



## Conclusion and Next Step

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By implementing the above recommendations, the City of Gustavus will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City of Gustavus staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.